

Message Text

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62

ACTION EUR-25

INFO OCT-01 NEA-10 ISO-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 EB-11 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-04 RSC-01 AID-20 CIEP-02 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SPC-03 OMB-01

EA-11 DRC-01 /200 W

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R 211743Z DEC 73

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 6196

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

AMEMBASSY OECD PARIS

AMEMBASSY NEW DELHI

LIMITED OFFICIAL USE EC BRUSSELS 7443

EO 11652 NA

TAGS: IN, EEC, ETRD

SUB: THE EC SIGNS A COMMERCIAL COOPERATION

AGREEMENT WITH INDIA

REF: NEW DELHI 14739

1. SUMMARY: THE EC HAS SIGNED AN MFN COMMERCIAL
COOPERATION AGREEMENT WITH INDIA WHICH COULD BE THE
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MODEL FOR THE FUTURE AGREEMENTS WITH OTHER ASIAN
COMMONWEALTH COUNTRIES. SUBSTANTIVELY, THE AGREE-

MENT CALLS FOR THE EC TO CONSOLIDATE, UNDER THE GATT, TARIFF SUSPENSIONS ON A LIMITED NUMBER OF PRODUCTS OF INTEREST TO INDIA. BOTH SIDES AGREE THAT THE KEY ELEMENT IN THE AGREEMENT IS THE ESTABLISHMENT OF A MIXED COMMISSION TO OVERSEE THE FUNCTIONING OF THE ACCORD AND TO GIVE IT MORE SUBSTANTIVE MEANING IN THE FUTURE. THIS WILL DEPEND, IN LARGE PART, ON HOW FORTHCOMING THE EC IS PREPARED TO BE. THE TWO PARTIES HAVE ALSO NEGOTIATED SECTORAL AGREEMENTS FOR JUTE AND COIR PRODUCTS. END SUMMARY.

2. ON DECEMBER 17 THE EC AND INDIA SIGNED AN MFN COMMERCIAL COOPERATION AGREEMENT TOGETHER WITH TWO SO-CALLED SECTORAL AGREEMENTS COVERING TRADE IN JUTE AND COIR PRODUCTS. THE COMMERCIAL COOPERATION AGREEMENT, VALID FOR FIVE YEARS WITH ANNUAL EXTENSIONS POSSIBLE THEREAFTER, CALLS FOR THE MUTUAL DEVELOPMENT OF TRADE AND ECONOMIC RELATIONS BETWEEN THE EC AND INDIA. THE KEY TO THE ARRANGEMENT IS THE ESTABLISHMENT OF A JOINT COMMISSION WHICH WILL OVERSEE THE FUNCTIONING OF THE ACCORD AND WILL BE CHARGED WITH STUDYING WAYS AND MEANS TO INCREASE COOPERATION BETWEEN THE TWO PARTIES.

3. AS THE RESULT OF THE NEGOTIATIONS THE COMMUNITY HAS AGREED TO BIND UNDER THE GATT, TARIFF SUSPENSIONS WHICH IT HAS HERETOFORE APPLIED AUTONOMOUSLY ON TEA, PEPPER FOR INDUSTRIAL USE, CERTAIN SPICES AND SOME CATTLE HIDES (EAST INDIA KIPS). THE COMMUNITY WILL ALSO UNDERTAKE TO CONSIDER INDIAN INTEREST IN FURTHER MODIFICATIONS IN THE EC GENERALIZED PREFERENCE SCHEME.

4. THE NEW SECTORAL AGREEMENTS ON JUTE AND COIR REPLACE AGREEMENTS WHICH EXPIRED AT THE END OF 1972 BUT CONTINUED ON A DE FACTO BASIS IN 1973. THE NEW AGREEMENTS CALL FOR THE COMMUNITY--WITHIN THE FRAMEWORK OF ITS GENERALIZED PREFERENCES SCHEME--TO REDUCE DUTIES ON IMPORTS OF JUTE AND COIR BY 40 PERCENT IN 1974 AND BY AN ADDITIONAL 20 PERCENT LIMITED OFFICIAL USE
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IN 1975. FOR ITS PART INDIA HAS AGREED DURING THIS PERIOD TO LIMIT EXPORTS TO THE EC OF CERTAIN TYPES OF JUTE PRODUCTS. (THE INDIANS ALSO HOPE TO WORK OUT SECTORAL AGREEMENTS WITH THE EC ON COTTON TEXTILES AND FOR INDIAN HANDICRAFT PRODUCTS IN THE NEAR FUTURE).

5. AS NOTED IN REFTEL, THE INDIANS REJECTED AN EC REQUEST FOR "MOST FAVORED NATION" TREATMENT WITH REGARD TO RAW MATERIALS. IN BRUSSELS BOTH EC

COMMISSION AND INDIAN SOURCES RELATED THIS REQUEST PRIMARILY TO MINERAL ACQUISITION. OUR COMMISSION SOURCES PARTICULARLY SEEMED WORRIED ABOUT LONG-TERM MINERAL CONTRACTS BEING SIGNED BY JAPANESE INTERESTS AND INDICATED THAT THE COMMUNITY WANTED TO BE ASSURED THAT IT COULD HAVE ACCESS TO RAW MATERIAL ON TERMS SIMILAR TO THOSE OBTAINED BY OTHER PURCHASERS.

6. COMMENT: BOTH COMMUNITY AND INDIAN SOURCES HERE ARE AGREED THAT THE AGREEMENT WILL SUCCEED ONLY TO THE EXTENT THAT THE MIXED COMMISSION CAN BE MADE A MEANINGFUL ENTITY. THE INDIANS ARE WELL AWARE THAT THE COMMUNITY'S TRACK RECORD WITH MIXED COMMISSIONS IS NOT ALL THAT GOOD. THE FIRST STEP WILL BE TO GET THE MIXED COMMISSION OPERATING AND ON THIS SCORE THE INDIANS ARE ALREADY FINDING THE COMMUNITY IS HESITANT. THE INDIANS WANT TO HOLD AN INITIAL MEETING PROMPTLY AFTER THE AGREEMENT COMES INTO FORCE. (PROBABLY FEBRUARY 1). THE EC, HOWEVER, IS TRYING TO HOLD OFF THE INDIANS UNTIL AUTUMN.
END COMMENT.
GREENWALD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE AGREEMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973ECBRU07443
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: P740030-1421
From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731211/aaaaahwh.tel
Line Count: 137
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 NEW DELHI 14739, NEW DELHI 14739
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 31 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31-Aug-2001 by rowellE0>; APPROVED <16-Oct-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: THE EC SIGNS A COMMERCIAL COOPERATION AGREEMENT WITH INDIA
TAGS: ETRD, IN, EEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005